

testimony2022sb886ltr.pdf

Uploaded by: Franz Schneiderman

Position: FAV



**Testimony to the Senate Judicial Proceedings Committee
SB 886 – Vehicle Laws – Manufacturers and Dealers – Incentives
Position: Favorable**

March 3, 2022

The Honorable Will Smith
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

Honorable Chairman Smith and Committee Members,

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works for safety, transparency, and fair treatment for Maryland drivers and car buyers.

We support **SB 886** because it will make access to rebates and other cost-saving auto incentive offers more widely and fairly available to car buyers – and help to give more consumers in more markets access to a better selection of vehicles.

Under current practices, those car buyers who qualify for financing – and are willing to accept financing – through the proprietary (or “captive”) lending arms most car manufacturers operate may get access to rebates and other special considerations that are not available to other car buyers. As a result, those who finance their vehicles through a local credit union or independent bank in many cases, in effect, pay more for their vehicles. Since many consumers won't qualify for financing through the automakers' captive financing arms, that practice excludes some car shoppers from significant benefits.

One reason this practice can be a serious problem for consumers is that, because the captive financing firms operate through local dealers, in some cases their financing offers go hand-in-hand with pressure from dealers to add fees for additional products and services (i.e. window-etching, extended warranty offers to their car loan. These services can add thousands of dollars to the price consumers pay for the car (and to the long-term cost of repaying their loans) while providing little real value to consumers.

As one consumer advice site explains:

“When you're getting a loan through a dealership's finance department, they're likely to try to sell you a number of add-ons. Some, like [GAP coverage](#), make sense, while others, like window etching, are unnecessary. These dealer add-ons increase the loan amount and be costly if you don't catch them and have them removed before signing your contract.”¹

This kind of “loan-packing” is a common (and costly) complaint from car buyers. Indeed consumer advocates often encourage car shoppers to arrange financing outside the dealer network before

1 <https://www.autocreditexpress.com/blog/captive-auto-lenders-the-pros-and-cons/>



Auto Consumer Alliance

13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

going to a showroom, in part to prevent exposure them from being exposed to pressure from dealers to add unnecessary extras to their loan package.

By requiring franchised dealers to offer relevant rebates to all purchasers of the same line of vehicles, **SB 886** would extend access to these offers more fairly and more widely – and protect consumers against undue pressure that can come along with financing through the car makers' captive financing firms.

Indeed the relevant section of Maryland law [(Section 15-207(h)(1)(i)] already establishes that car manufacturers, as a general matter, must make rebates, incentives and other price breaks available to every dealer rebates of the same line make. This bill simply amends that section to give consumers the same kind of protection.

At the same time, by buttressing requirements that manufacturers provide cars to their dealers on a fair basis – and one that is transparent enough that they can, on request, explain it to their dealers – the bill also should help car buyers get access to a fuller and more adequate selection of vehicles. That's an important protection for car shoppers – especially in a market where limited vehicle production is adding to shortages of attractive and high-demand vehicles in many markets.

We support SB 886 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

SB 886 Support Letter 2022.pdf

Uploaded by: Karen Straughn

Position: FAV

BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General



WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

Writer's Fax No.

Writer's Direct Dial No.

410-576-7942
kstraughn@oag.state.md.us
Fax: 410-576-7040

March 3, 2022

To: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 886 – Vehicle Laws – Manufacturers and Dealers - Incentives (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 886 submitted by Senator Susan C. Lee. The bill would require that an affiliate of a manufacturer, distributor or factory branch that offers or advertises any consumer rebates, dealer incentives, price or interest rate reductions or finance terms make those incentives available to all dealers and all purchasers of vehicles of the same line make. The bill would further require any system for the allocation of new vehicles to dealers be reasonable and fair.

The problems with access to new vehicles became readily apparent during the pandemic. There were fewer vehicles available, and an individual consumer could be forced to obtain a vehicle from a distant dealership or wait months for the local dealership to be able to obtain the car of his or her choice. By ensuring fairness in the distribution to dealerships, consumers are less likely to be inconvenienced in the search for their desired vehicle.

In addition, by making all incentives available to all consumers of the same line of vehicles, SB 886 ensures fairness and protects against discrimination. Consumers should not be subjected to the necessity of shopping around to ensure that they are receiving all the available incentives offered by a manufacturer, distributor, factory branch or its affiliates.

For these reasons, we ask that the Judicial Proceedings Committee return a favorable report on this bill.

cc: The Honorable Susan C. Lee
Members, Judicial Proceedings Committee

SB886_FAV_Lee_2022.pdf

Uploaded by: Susan Lee

Position: FAV

SUSAN C. LEE
Legislative District 16
Montgomery County

MAJORITY WHIP

Judicial Proceedings Committee

Joint Committee on
Cybersecurity, Information Technology,
and Biotechnology

Chair

Maryland Legislative Asian American
and Pacific Islander Caucus

President Emeritus

Women Legislators of the
Maryland General Assembly, Inc.



James Senate Office Building
11 Bladen Street, Room 223
Annapolis, Maryland 21401
410-841-3124 · 301-858-3124
800-492-7122 Ext. 3124
Susan.Lee@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

March 3, 2022

Senate Judicial Proceedings Committee

SB886 - Favorable – Vehicle Laws – Manufacturers and Dealers - Incentives

Senate Bill 886 includes language modeled after Pennsylvania law on car allocation, which works efficiently for our neighbor to the north. This bill further aims to ensure Maryland consumers have a wide and fair distribution of incentives, rebates and cars themselves. Affiliates of a manufacturer, distributor or factory branch that offers or advertises any consumer rebates, dealer incentives, price or interest rate reductions or finance terms must make those incentives available to all dealers and all purchasers of vehicles of the same line make. This bill protects against discrimination for using your own financing and ensure fairness in distribution to dealerships so consumers are less likely to be inconvenienced.

Currently, incentive may only be available to those who finance with a captive financing arm of car manufacturers, which are not available to other car buyers. This practice is not fair because it allows for discrimination in prices and benefits based on demands of the car companies' financing scheme. Consumers often feel pressure from certain dealers to add services and fees to the loan, or "loan packing", which adds thousands of dollars to the cost over the life of the vehicle with little real value.

Consumer advocates often recommend car shoppers to arrange financing outside the dealer network, but those who choose to do so shouldn't face higher prices. The cost of the vehicle should be separate from the financing option, to allow more freedom to shop for the financing you prefer. To allow otherwise seems to be a deceptive trade practice that should be against the policy intent of the general assembly in this intricate balance between the dealers and manufacturers. The consumers should not be forgotten in this discussion either and we are

pleased to have the support of the Consumer Protection Division of the Office of the Attorney General supporting this legislation as well. We find ourselves in the middle of these groups because we must be to keep a balance of the distribution of power when it comes to policy decision affecting all Marylanders.

Section 15-207(h) of the Transportation Article already requires that manufacturers offer incentives and rebates through all dealers of any line make and puts the burden of proof on manufacturers. This legislation applies that same principle and protection to consumers.

For these reasons, I respectfully request a favorable report on SB 886.